



Matt Mead, Governor

Department of Environmental Quality

To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.



Todd Parfitt, Director

August 26, 2013

Mr. John Cash – VP Regulatory Affairs
Exploration and Geology
Lost Creek ISR, LLC
5880 Enterprise Drive, Suite 200
Casper, WY 82609

Re: Summary of Bi-weekly Inspection of Lost Creek ISR LLC's Permit 788

Dear Mr. Cash:

On August 21, 2013 a bi-weekly Inspection of the Lost Creek ISR (LCI) project was conducted (see enclosed Inspection Report). In addition to conducting a routine site Inspection, two Class III UIC wells were inspected in HH1-3, at the request of LCI's Steve Loose who indicated that wells 1I072 and 1I190 were reassigned to be within HH1-3. Since HH1-3 was already authorized via letter dated August 1, 2013, the two wells would be added to HH1-3 as an Addendum.

Based on this Inspection, an authorization letter for these two wells is forthcoming and will be referenced as Addendum to HH1-3 Class III authorization. The routine site Inspection revealed that progress was being made on one of the Action Items identified in the last Inspection (conducted on August 7, 2013). Specifically, LCI personnel are removing the equipment stored on the "field laydown area" and relocating it to the DDW-4 well pad. No Action Items resulted from this Inspection.

The next site Inspection is scheduled for Wednesday September 4, 2013. If there are any questions regarding the enclosed Inspection Memorandum, please contact Melissa Bautz in the Lander Land Quality Division office at (307) 332-3047.

Sincerely,

Melissa L. Bautz, P.G.
Natural Resources Analyst
Land Quality Division - District 2 (Lander)

Enclosure 6-page Inspection Memorandum
MLB:mlb

cc: Mark Newman – BLM – P. O. Box 2407, Rawlins, WY 82301 (w/encl)
John Saxton – US Nuclear Regulatory Commission (w/encl)
Tanya King - WDEQ-LQD, District II → Permit 788 Inspection File (w/encl)
LQD Cheyenne → Permit 788 Inspection File (w/encl)
Chron (w/encl minus photos)

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Wyoming Department of Environmental Quality (WDEQ)- Land Quality Division (LQD)
Inspection Memorandum

File: Lost Creek ISR, LLC – Permit 788

Date of Inspection: August 21, 2013

Date of Report: August 23, 2013 *MLB*

Participants: Mike Lueders, Mine Manager, Lost Creek ISR/Ur-Energy
Eric Stonaker, Lost Creek ISR/Ur-Energy
Brian Wood, WDEQ-Land Quality Division
Melissa Bautz, WDEQ-Land Quality Division

Report Prepared by: Melissa Bautz – WDEQ-Land Quality Division

Subject: Bi-weekly Site Inspection

Introduction

On August 21, 2013, a routine bi-weekly Inspection was conducted at the Lost Creek ISR (LCI) site. The last bi-weekly site Inspection was conducted on August 7, 2013. On Friday August 2, 2013, LCI received authorization from the Nuclear Regulatory Commission (NRC) to start injection/mining. Therefore, on Friday August 2, 2013 around 4pm, LCI started pumping groundwater in/from Mine Unit 1 (MU1).

Inspection

Addendum to HH1-3

At the beginning of the Inspection, LCI's Steve Loose indicated that there were two wells that were recently added to HH1-3 for which he was seeking Class III UIC Well Authorization, in accordance with and LQD Noncoal Rules and Regulations Chapter 11, Section 11(b). The two wells were reallocated to HH1-3 after 70 wells were initially authorized in HH1-3 via an Inspection conducted on July 31, 2013 (see authorization letter dated August 1, 2013).

The records associated with the two wells (1I072 and 1I190) were inspected during today's Inspection. Additionally, the well cover and well head for Well 1I072 was inspected today and found to be acceptable. Based upon the results of this Inspection, the authorization of the Addendum to HH1-3 will be approved under separate cover.

Mining

ISR mining in HH1-1 and HH1-2 has been ongoing since lixiviant was injected into the project's injection wells on August 6, 2013. The two spills that occurred upon start-up on August 2, 2013 were addressed in a report from LCI dated August 9, 2013. A review of the report revealed the following two comments: 1) the report lacked a statement of the areas affected and 2) the report's maps (Figures) require a scale, location information, and a legend. Those two comments on the spill report were provided to LCI's John Cash via e-mail correspondence dated August 15, 2013. Mr. Cash indicated in a subsequent e-mail that changes to the report were forthcoming. LCI's submittal of the spill report was timely.

MU1 Well Field

In the last Inspection, it was noted that LCI should plan on reclaiming the ground in HH1-1 and HH1-2. Mr. Stonaker presented a field map created by LCI field staff that indicates proposed travel routes within MU1, Header Houses 1-1 and 1-2 and possibly 1-3. The significance of the map was that the areas not designated as travel routes and not occupied by wells or header houses, would be reclaimed this fall.

Field Laydown Areas

In the last Inspection Report there was a discussion of the “field laydown area” that had been established immediately east of the project’s formal laydown yard (north of MU1). The conclusion of that discussion was that 1) the “field laydown area” had exceeded the amount of time authorized for a “field laydown area” and 2) that it needs to be reclaimed.

To that end, LCI personnel have removed the majority of equipment from the “field laydown area” and relocated it to the DDW-4 drill pad. In turn, the driller’s equipment that had been staged at DDW-4 was relocated to the DDW-3 drill pad. Only a minor amount of equipment needs to be removed from the “field laydown area” before fall 2013 reclamation.

The ground underneath where equipment had been stored in the “field laydown area” displayed varying degrees of dead vegetation, trampling, and plant/soil compaction. In some areas, the sage brush appeared to be non-existent or dead. While in other areas, the sage brush was slightly trampled but still alive. Mr. Stonaker and Ms. Bautz agreed that the areas with dead to non-existent sage brush would be scarified and seeded this fall; while the areas with lightly trampled but still living sage brush would merely be seeded via broadcast methods and hand raking. In both types of ground (dead sage and living sage) the grasses were essentially destroyed.

Drilling Activities

Well field development drilling continues in Mine Unit 1 (MU1) and the monitoring ring wells are under construction in Mine Unit 2 (MU2). Exploration and/or delineation drilling is occurring in Mine Unit 3. A total of 12 drill rigs are operating at the site now. There are no concerns with drilling practices.

Reclamation

As indicated above and in previous Inspection reports, LCI’s Eric Stonaker has been taking inventory on all of the areas in need of reclamation at the site this fall (2013). That list includes but is not limited to the following areas: Plant Site reclamation, the topsoil stockpile at DDW-3, the DDW-1 drill site, portions of MU1 (e.g. HH1-1 through 1-3), the “field laydown area” north of MU1, and reclaimed pipeline trenches.

Annual Inspection

Ms. Bautz briefly mentioned to Mr. Stonaker that the site’s Annual Inspection, which will not occur until early November, will focus on any reclamation that has been conducted at the site as well as other permit commitments. One of those permit commitments that will be inspected is the raptor protection measures that were installed on the project’s power line. Ms. Bautz

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Inspection Date: August 21, 2013
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requested that LCI personnel be prepared to demonstrate exactly how the onsite raptor protection meets the permit commitments. LQD is not questioning the adequacy of the raptor protection. Rather, LQD is seeking details from LCI staff in their explanation of the nature of the raptor protection.

Conclusion

LCI personnel are in the process of reclaiming the “field laydown area” east of the long-term laydown yard north of MU1. The work to-date is commendable. There are no concerns with the site based on this Inspection and there are no new Action Items. The next Inspection is scheduled for September 4, 2013, Wednesday, at 10am.

*****END OF MEMORANDUM*****

W/Photo Addendum (Pages 3 – 6)

Photo Addendum to accompany the August 21, 2013 Inspection of Lost Creek ISR’s Permit 788

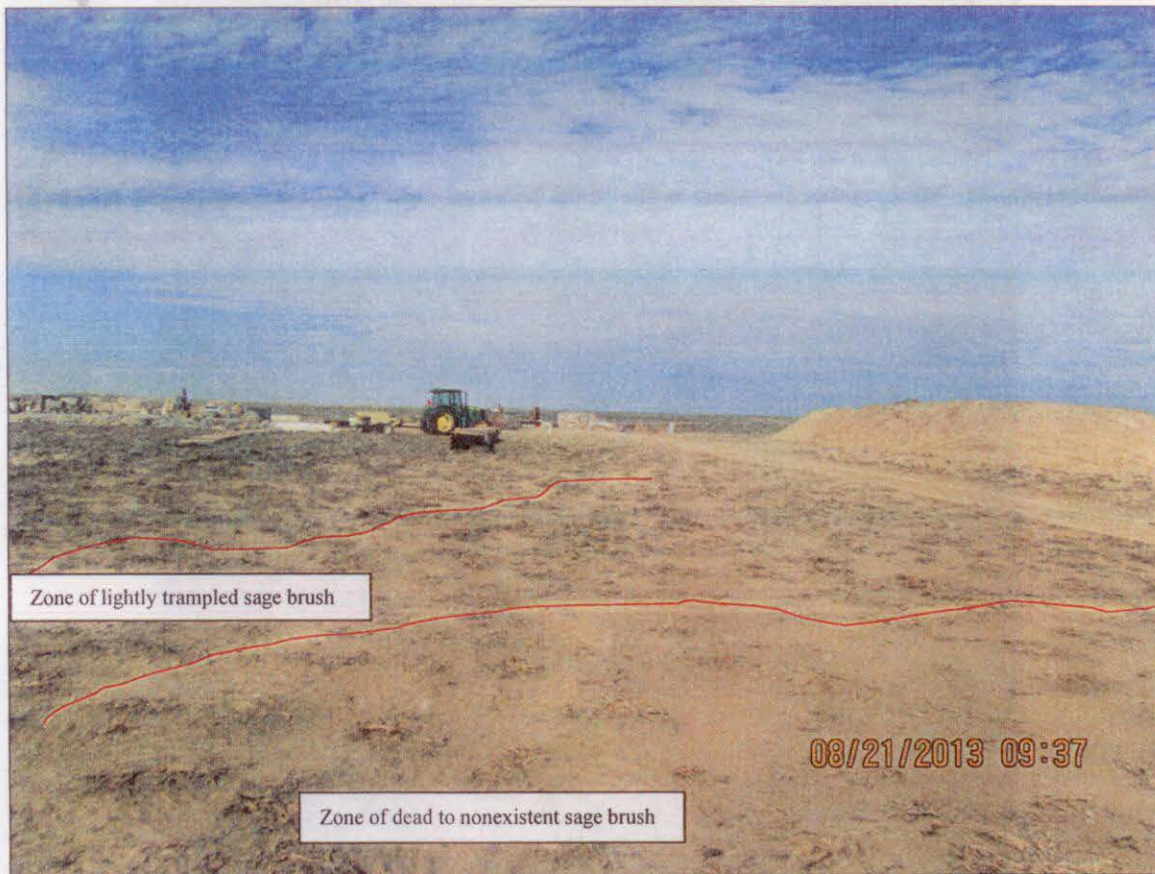


Photo Number 1: This depicts a portion of the “field laydown area” north of MU1, from which equipment has been removed. The area of dead to nonexistent sage brush can be seen in the foreground of this photo. Then there is a transition into an area of lightly trampled sage brush within the two red lines. Beyond that area is intact sage brush. This view is looking west.

Photo Addendum to accompany the August 21, 2013 Inspection of Lost Creek ISR's Permit 788 cont'd...



Photo Number 2: This typifies the areas in the "field laydown area" where the sage brush is dead to nonexistent.



Photo Number 3: This typifies the areas in the "field laydown area" where the sage brush is lightly trampled but still alive.

Photo Addendum to accompany the August 21, 2013 Inspection of Lost Creek ISR's Permit 788 cont'd...



Photo Number 4: This depicts a portion of the DDW-4 drill pad where equipment that came from the "field laydown area" is now stored.



Photo Number 5: This is a panoramic view of DDW-3 drill pad looking from southwest (left) to northeast (right). The equipment stored here is drillers' equipment and was moved from the DDW-4 drill pad.



Photo Number 6: This is a view looking south from the parking lot on the south side of the Plant Building looking toward the old temporary office trailers. It is currently being used as an office by the project's contractors. However, LCI personnel anticipate that this array of trailers will probably be removed from the site in time for fall reclamation.



Photo Number 7: This depicts a small disturbed area (outlined in red) just north and east of the topsoil stockpile that is south of the Plant Site. It should be seeded this fall.